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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Create a  
Consistent Regulatory Framework for the  
Guidance, Planning and Evaluation of  
Integrated Distributed Energy Resources.

Rulemaking 14-10-003  
(Filed October 2, 2014)

**ADMINISTRATIVE LAW JUDGE'S RULING DENYING MOTION  
FOR EVIDENTIARY HEARING AND NOTICING WORKSHOP**

**Summary**

This Ruling denies the motion filed by Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (jointly, the Utilities) requesting to hold evidentiary hearings in this proceeding. The Utilities assert that there are facts in dispute but provide no specific facts, only a list of issues. While it is determined that an evidentiary hearing is not necessary, this Ruling finds a need for additional transparency regarding the issue of the Commission Energy Division Proposal to adopt a Societal Cost Test. Accordingly, a workshop will be held in this proceeding on Tuesday, August 8, 2017 beginning at 9:30 a.m. in the Courtyard Training Room at 505 Van Ness Avenue in San Francisco, CA 94102. The purpose of the workshop is to allow parties to ask questions about the Commission Energy Division proposal on a Societal Cost Test, in order to provide clarity on the proposal.

**Background**

An October 9, 2015 Administrative Law Judge Ruling introduced a four-phase Commission Energy Division (Staff) proposal for updating the

Commission's cost-effectiveness framework. The four phases are: 1) Improve the existing cost-effectiveness framework; 2) Improve the relationship between cost-effectiveness and system conditions through a coordinated effort with Rulemaking (R.) 14-08-013; 3) Improve models and methods to accurately reflect policies; and 4) Expand the cost-effectiveness framework to create an all-source, all technology valuation framework.

A Cost-Effectiveness Framework Working Group (Working Group), established through the October 9, 2015 Ruling, recommended several phase three issues. Relevant to this Ruling, the Working Group included the issue of determining whether cost-effectiveness tests appropriately reflect environmental goals and proposed several options for the Commission to pursue. The options included replacing the Total Resource Cost test with a societal cost test (SCT). In response to the Working Group recommendations, Staff hosted a workshop in September 2016, where parties discussed potential methods for a SCT, amongst other related matters.

On February 9 and April 3, 2017, two related rulings were issued in this proceeding. The February 9, 2017 Ruling introduced a Commission Energy Division Staff proposal to adopt a Societal Cost Test (Staff SCT Proposal), which recommended inclusion of an air quality value, a social discount rate, and a greenhouse gas adder to estimate the value of the reduced carbon emissions that distributed energy resources provide. The Staff SCT Proposal contemplated that the greenhouse gas adder would be developed in the Integrated Resource Planning proceeding (Rulemaking (R.) 16-02-007). In the April 3, 2017 ruling, a staff proposal addendum (Addendum) indicated a more urgent need for development of the greenhouse gas adder in order to consider the impact of the adder in an upcoming Energy Efficiency Potential Study. Furthermore, the

Addendum explained that results of the Potential Study would inform future energy efficiency goals due in the summer/fall of 2017. The Commission's Energy Division proposed an interim greenhouse gas adder based upon preliminary results from the RESOLVE<sup>1</sup> model. Parties filed comments and replies to both rulings.

On May 16, 2017, the Utilities filed a motion for evidentiary hearings to adjudicate disputed issues of fact presented by the Staff SCT Proposal and the April 3, 2017 Addendum (Motion). Pursuant to a May 18, 2017 Ruling, parties filed responses to the Motion on May 26, 2017 and the Utilities filed a reply to the responses on June 2, 2017.<sup>2</sup> The May 18, 2017 Ruling also informed parties that the RESOLVE model is being addressed in R.16-02-007 and is not in the scope of this proceeding.

## **Discussion**

The Utilities contend that "significant and important factual disputes" are contained in the Staff SCT Proposal and the proposed interim greenhouse gas adder and an evidentiary hearing is necessary to resolve the disputed facts.<sup>3</sup> Other parties also requested a more formal and transparent process. As discussed below, no party requesting an evidentiary hearing provided any

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<sup>1</sup> The RESOLVE model is a capacity expansion model, based on linear programming techniques, used to identify least-cost portfolios of future resources that satisfy the multiple state policy goals required by the Integrated Resource Planning statute, including reducing greenhouse gas emissions and maintaining reliability.

<sup>2</sup> The following parties filed responses to the motion: Independent Energy Producers Association (IEP), Institute for Policy Integrity (Institute), Natural Resources Defense Council (NRDC), Office of Ratepayer Advocates (ORA), Sierra Club, and Solar Energy Industries Association.

<sup>3</sup> Motion at 2.

specific disputed fact. However, in order to ensure transparency and additional clarity on the Staff SCT Proposal, a workshop will be held on August 8, 2017 beginning at 9:30 a.m.

In their Motion, the Utilities point to “significant and important factual disputes” in the Staff SCT Proposal and the proposed interim greenhouse gas adder.<sup>4</sup> In particular, the Utilities contend the parties appear to have material factual disputes regarding the following five issues: 1) the interim greenhouse gas adder; 2) the proposed use of the RESOLVE model in the proposed interim greenhouse gas adder; 3) social discount rate; 4) SCT air quality value; and 5) customer cost impacts. The Utilities note that this is not the first request by parties for a more formal process to address the Staff SCT Proposal; “NRDC and ORA also express support for a ‘formal process’...and TURN [The Utility Reform Network] requested a ‘transparent stakeholder process’.”<sup>5</sup>

Reiterating a prior request for an evidentiary hearing on the SCT, ORA states that there are issues of fact concerning quantifying environmental benefits, air quality values, and the impact such values could have on the societal benefits included in the SCT.<sup>6</sup> IEP also agrees that values for the SCT should be tested through formal processes, including cross-examination.<sup>7</sup> In opposition to the motion, SolarCity and Sierra Club allege that the Utilities are attempting “to manufacture factual disputes out of policy decisions” and fail to identify any

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<sup>4</sup> Motion at 2.

<sup>5</sup> Motion at 3.

<sup>6</sup> ORA Response to Motion, May 26, 2017 at 3. *See also* ORA Opening comments to the February 9, 2017 Ruling.

<sup>7</sup> IEP Response to Motion, May 26, 2017 at 1-2.

material factual disputes.<sup>8</sup> NRDC states that the Commission should move forward with a decision on whether to adopt a SCT, arguing that this is a policy question that does not need an evidentiary hearing as there are “no material factual disputes.”<sup>9</sup> However, while NRDC requests the Commission move forward expeditiously to adopt the interim greenhouse gas adder, NRDC also calls for the establishment of a transparent public process in the future to develop the details of the cost-effectiveness tests.<sup>10</sup>

The Commission previously determined in the September 9, 2016 Amended Scoping Memo that a hearing is not necessary.<sup>11</sup> The Utilities, IEP, and ORA all contend that an evidentiary hearing is necessary but provide no specific disputed facts, only a list of issues. In reply to parties’ responses, the Utilities maintain the presence of factual disputes, but again provide no specific disputed facts.<sup>12</sup> The motion to hold an evidentiary hearing is denied. The prior determination that a hearing is not necessary remains unchanged.

Nevertheless, as indicated above, some parties have requested a more transparent process in regard to the matter of the Staff SCT Proposal. The Utilities contend that a “stakeholder process has been ongoing for several

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<sup>8</sup> Sierra Club Response to Motion, May 26, 2017 at 1 and 4. *See also* SolarCity Response to Motion, May 26, 2017 at 3-4.

<sup>9</sup> NRDC Response to Motion, May 26, 2017 at 2. *See also* Solar Energy Industries Association Response to Motion, May 26, 2017 at 3-6.

<sup>10</sup> *Ibid.*

<sup>11</sup> Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, September 1, 2016 at 4.

<sup>12</sup> Utilities Reply to Responses, June 2, 2017 at 7-8.

months and is unlikely to resolve these remaining identified disputes.”<sup>13</sup> A workshop was held in September 2016 to begin the development of phase three issues but, otherwise, the Commission has established no other stakeholder process on the Staff SCT Proposal. Additional workshops should provide clarity to the parties on the multiple aspects of the Staff SCT Proposal. It is reasonable to schedule a one-day workshop at this time; the need for subsequent workshops will be discussed during the first workshop.

The assigned Administrative Law Judge will facilitate a workshop to discuss the Staff SCT Proposal. The workshop will be held on August 8, 2017 beginning at 9:30 a.m. An agenda will be developed over the course of the next few weeks and emailed to parties prior to the workshop. Questions or suggestions regarding the workshop shall be addressed to the Administrative Law Judge with a copy to the entire service list.

**IT IS RULED** that

1. The motion filed by Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company requesting the Commission hold an evidentiary hearing in this proceeding is denied.
2. A workshop to discuss the Commission Energy Division Proposal to adopt a Societal Cost Test will be held on Tuesday, August 8, 2017 beginning at

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<sup>13</sup> *Id.* at 7.

R.14-10-003 KHY/vm1

9:30 a.m. in the Courtyard Training Room at 505 Van Ness Avenue,  
San Francisco, CA 94102.

Dated June 16, 2017, at San Francisco, California.

/s/ KELLY A. HYMES  
Kelly A. Hymes  
Administrative Law Judge